65 YEARS SERVING ALBERTANS

CALGARY POWER LTD.

1976 ANNUAL REPORT

CALGARY POWER LTD.

OFFICERS

A. W. HOWARD
Chairman of the Board

M. M. WILLIAMS
President

W. L. FRASER
Vice-President, Engineering and Planning

C. F. MALLORY
Vice-President

K. F. McCREADY
Vice-President, Administration

H. G. SCHAEFER
Vice-President, Finance

E. W. SMITH
Vice-President, Operations and Customer Services

F. A. R. McKINNON
Treasurer and Director of Finance

J. W. NEWBY
Secretary

H. B. CURTIS
Assistant Secretary

R. L. McCRIMMON
Assistant Secretary

F. V. KAY
Assistant Treasurer

OFFICIALS

E. J. BARRY
Assistant Vice-President, Planning

D. G. BACON
Director of Consumer Services

J. A. BOURNE
Controller

T. E. CARDELL
Director of Operational Services

R. B. CARRUTHERS
Capital Budget Administrator

J. A. CLOW
Director of Technical Services

G. A. HADLINGTON
Director of Generation Projects Management

M. J. HALPEN
Director of Administrative Services

E. J. MacLEOD
Director of Regulatory Applications and Transmission Consultant

D. B. PORTER
Director of Public Affairs

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SHAREHOLDERS' MEETING

The special and annual general meeting of shareholders of Calgary Power Ltd. will be held at 110 - 12 Avenue S.W., Calgary, Alberta, at 10:00 a.m. on May 5, 1977.

FINANCIAL RESULTS IN BRIEF

	1976	1975
Gross Revenue from Operations	**$166,254,000**	$128,606,000
Net Income	**$ 42,546,000**	$ 29,461,000
Shareholders' Investment	**$411,185,000**	$284,514,000
Earnings Per Common Share	**$3.78**	$3.40
Dividends Declared Per Common Share	**$1.90**	$1.60
Capital Expenditures	**$207,520,000**	$160,519,000
Total Assets	**$959,278,000**	$759,615,000

Alberta foothills near Calgary.
(Photo courtesy of Travel Alberta)

BOARD OF DIRECTORS


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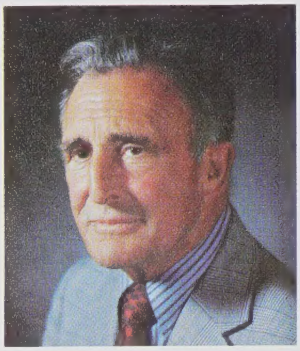
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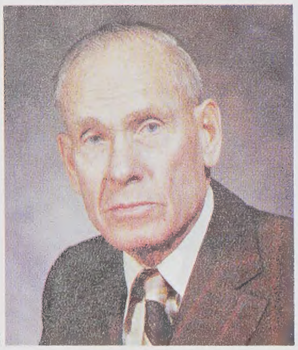
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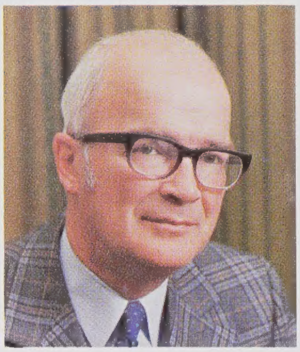
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1 R. G. BLACK, Q.C.*
Calgary, Alberta
Partner, Jones, Black
& Company

2 J. B. CROSS
Okotoks, Alberta
Rancher

3 D. D. DUNCAN, Q.C.
Winterburn, Alberta
Partner, Duncan & Craig

4 A. S. GORDON
Westmount, Quebec
Consultant, Merrill Lynch,
Royal Securities Limited

5 A. W. HOWARD*
Calgary, Alberta
Chairman of the Board

6 C. F. MALLORY
Westmount, Quebec
Vice-President, Montreal
Engineering Company, Limited

7 W. J. McCARTHY
Town of Mount Royal, Quebec
Senior Vice-President, Finance
Sun Life Assurance Company of Canada

8 J. H. McLAUGHLIN
Spruce Grove, Alberta
Farmer

9 H. J. S. PEARSON
Edmonton, Alberta
President, Century Sales
& Service Limited
(Appointed February, 1977)

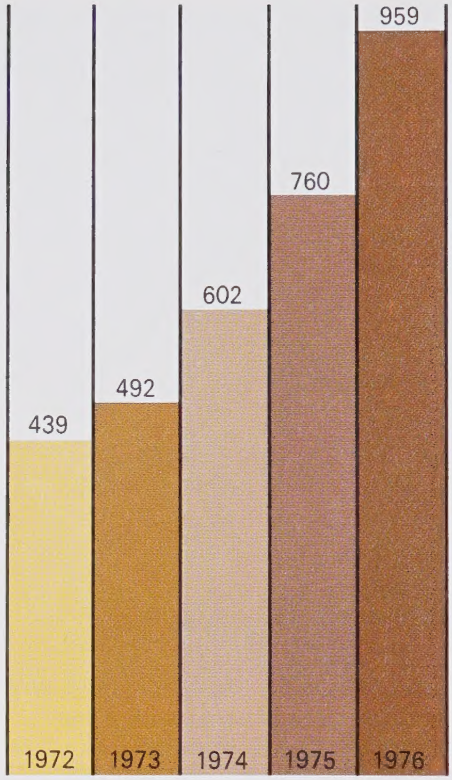
10 R. F. PHILLIPS*
Calgary, Alberta
President and Chief
Executive Officer
Home Oil Company Limited

11 M. M. WILLIAMS
Calgary, Alberta
President

*Member of Audit Committee

1976 IN REVIEW

Total Assets
(Millions of Dollars)



REPORT TO SHAREHOLDERS

The Company's sixty-fifth anniversary year was one in which the many important gains outlined in this report were achieved. Based on the continued prosperity in Alberta and its wealth of natural resources, the business outlook of the Company remains optimistic. Since the Company owns or controls an adequate supply of relatively low cost coal for its steam electric generating plants, it is not experiencing the acute fuel problems facing many electric utilities. The progressive regulatory climate, the strong support received from investors and indications of some tempering of the high rate of inflation in Canada are additional encouraging factors.

REVENUE, EXPENSES AND EARNINGS

Gross revenue from operations totalled $166.3 million, $37.6 million or 29.3% above 1975 revenue. Additional electric load accounted for about one-quarter of the increase and the balance resulted from higher rates.

Consolidated operating expenses, depreciation and income and other taxes amounted to $107.5 million, 28.0% over 1975. This resulted from an increase of $6.4 million in income tax; of $6.0 million in depreciation expense from higher depreciation rates and additional property; and of $11.0 million in operating expenses arising in part from additional power purchased because of delay in commissioning Sundance No. 3 generating unit.

After provision for interest costs and dividends on preferred shares, earnings applicable to common shares were $31.5 million or $3.78 per common share, up $9.6 million or 38¢ per share over the previous year. The 43.8% increase in earnings applicable to common shares was matched by a 45.5% increase in average common shareholders' investment. These earnings represent about a 15% return on the book value of common equity which is consistent with the decision of the Public Utilities Board (Alberta) reviewed in more detail on page 18.

During 1976 two quarterly dividends of 45¢ and two of 50¢, a total of $1.90, were declared on outstanding Class A Common Shares. "Tax-deferred" annual dividends of $1.615 per share were declared on Class B Common Shares. The balance of the earnings of $15.5 million, amounting to $1.88 per common share, was retained for use in the business.

OPERATIONS

Electric energy supplied during 1976 rose 6.7% to 9,811 million kilowatt-hours compared to 9,191 million kilowatt-hours in 1975. The most significant increases were recorded in town retail and new oil and gas industrial load. The 1976-1977 winter system peak increased 7.0% to 1,715,000 kilowatts compared with 1,603,000 kilowatts in 1975-1976. The peak in 1974-1975 was 1,517,000 kilowatts.

Three new industrial power supply contracts were negotiated during the year and additional loads are anticipated as petrochemical and other industries are attracted to Alberta over the next few years. While supplying growing demand the Company continues to encourage the wise and efficient use of energy by its customers.

A dramatic shift has occurred from a period of relatively inexpensive energy to a time of restraint and much higher energy costs. Alberta is in the enviable position of having large energy resources of oil, natural gas and coal. As large as these resources may be, they have finite limits and good management over the long term is essential if the economy of the Province is to be sustained. Conservation becomes increasingly important but it is only part of the solution. It is becoming apparent that Canadians must adopt a different life style in the future involving lower energy use. Electric utilities in general must place greater reliance on renewable resources and foster research to obtain increased benefits from each unit of energy.

CAPITAL PROGRAM

Capital expenditures on plant and equipment reached a record level of $207.5 million in 1976 with $158.4 million being spent on construction of new generating facilities and $49.1 million for expansion of transmission, substation and distribution systems.

Major projects included completion of the third generating unit and construction on the fourth, fifth and sixth units at the Sundance Steam Electric Plant ($95.1 million)

Barley growing on reclaimed land and coal mining continue side by side at the Whitewood Mine.

implementation of a dry haul ash disposal system at that plant ($6.9 million) and commissioning of several major items of coal mining equipment at the associated Highvale Mine ($28.1 million). Construction continued on electrostatic precipitators to remove particulate matter from the exhaust gases of the coal-fired units at the Wabamun Steam Electric Plant ($14.6 million).

Capital expenditures in 1977 are expected to be of a magnitude similar to those in 1976. Due to long construction periods for generating plants major commitments must be made several years ahead of actual load requirements. At year end there was an ongoing construction program at the Sundance Plant which will add 1,050,000 kilowatts to the Company's net generating capability, an increase of 46%.

FINANCING

The Company has explored additional sources of capital in Canada, the United States of America and Europe so it can take advantage of opportunities that these capital markets may provide in the future. During the year some $194.2 million was raised from external sources, the largest financing program in the Company's history, both in amount and in number of issues.

In January 1976 a financial agreement was executed providing a sterling credit of £10.4 million towards the purchase of major equipment in the United Kingdom. Later that month the Company offered $30 million (300,000 shares) 9³/₄% First Preferred Shares. During March $40 million 10³/₄% Secured Debentures (25 years) were sold in Canada, followed in April by $20 million (Canadian) 9³/₄% First Mortgage Bonds (six years) in the European market.

In July the Company issued 1,750,000 Class A Common Shares which added $51.6 million to the Company's equity capital. In addition to a broad institutional response there was a strong retail demand within Alberta following a special informational campaign in the Province. During October, the Company's financing program for the year was completed with the issue of $32 million (1,280,000 shares) $2.36 Second Preferred Shares of the par value of $25 each.

Your directors believe that these financings were effected on timely and advantageous terms. The Company's capital structure has been significantly improved. The debt ratio is under 50% and the common equity ratio over 30%.

The Company also introduced its Dividend Reinvestment and Share Purchase Plan as an opportunity for shareholders to purchase additional common shares while providing the Company with another source of equity funds. Individual shareholders and institutional investors are participating in the plan with some $1 million being reinvested on an annual basis. Shareholders may enroll in the plan at any time.

ENVIRONMENT

During the past five years the Company has cumulatively spent over $92 million on construction of facilities for protection of the environment. Not only do these facilities require major capital expenditures but also substantial additional operating expenses, including higher fuel costs due to reduced plant efficiency.

While there are several aspects of an environmental protection program associated with coal-fired thermal power development, reclamation of surface-mined coal fields is currently a subject of particular concern. Other parts of the protection program include collection and disposal of particulate matter from exhaust gases, development of cooling-water facilities and monitoring of plant and coal mine effluents.

The Company is committed to research and development of reclamation techniques to meet the objective that lands be returned to a level of productivity equal to, or better than, that which existed prior to mining. At the Whitewood Mine alfalfa grown on reclaimed land in 1976 yielded a crop comparable with average farming operations in Alberta. Current tests using fertilizers and other soil additives indicate that reclaimed land which was originally swamp, muskeg and marginal agricultural pastures can support cereal grain production.

One of the large walking draglines used by the Company in its coal mining operation.
(Photo courtesy of Bucyrus-Erie)

Pending further study, the Energy Resources Conservation Board (Alberta) has permitted the Company to delay installation of cooling-water facilities independent of Lake Wabamun which would avoid warm water discharge into the lake from the Wabamun Plant. The Company is required to submit evidence by the fall of 1979 to enable the Board to reach a final decision on this matter. In the meantime the weed harvesting program in Lake Wabamun, which appears to be having the desired result, will continue. During the year only 250 tons of weeds were harvested in an area that provided 348 tons in 1975, 2,276 tons in 1974 and 5,138 tons in 1973.

RATE REGULATION

The necessity for higher rates continues to be a matter of major concern. The Company's previous rate application covered the years 1975 and 1976. On October 25, 1976 the Company filed a new application with the Public Utilities Board (Alberta) for increased rates for the period 1977 and 1978 to be applied in three stages. The initial rate increase averaging 14.8% was approved by the Board on an interim basis effective January 1, 1977. To meet the full revenue requirements during this two-year period further rate increases are indicated in late 1977 and in mid-1978.

A major reason for continued rate increases is the significantly greater cost of new utility plant to meet the growing needs of consumers during a time of high inflation. While Units 1 and 2 at the Sundance Plant cost $184 per kilowatt, Units 3 and 4 are being commissioned at $288 per kilowatt, an increase of 57%.

Public hearings on the current rate application, which indicates a required level of earnings per share of $4.18 in 1977 and $4.57 in 1978, commenced in November 1976. It is expected that a decision by the Public Utilities Board regarding the allowable level of revenue will be rendered late in 1977. In light of the restraint program presently in effect in Canada the Company is not seeking an increase in the 15% return on book value of common equity.

The regulatory climate in Alberta has been effective in ensuring that financing by the Company can be achieved at reasonable cost. On the one hand the Public Utilities Board has permitted a fair return to the shareholder while at the same time it has protected the interest of consumers because the cost of capital is incorporated in electricity rates. Rate regulatory matters are covered in more detail on page 18.

ENERGY RESOURCE MANAGEMENT

The largest generating unit in the Province with a net output of 352,000 kilowatts was commissioned as the third unit at the Sundance Steam Electric Plant. The fourth, fifth and sixth units, each with that output, are expected to be commissioned in early 1977, in 1978 and in 1980, respectively. At that time the Sundance Plant will be the largest coal-fired generating station in Alberta and one of the largest in Canada with a net generating capability of some 1,980,000 kilowatts.

Plans for development of the large Camrose-Ryley Steam Electric Generating Plant and associated coal mining operation were suspended by the Provincial Government in July because of concerns raised that the affected agricultural lands could not be satisfactorily reclaimed following the surface mining of coal. The Company remains confident of its ability to reclaim agricultural land and is continuing research and demonstration programs in the area.

Following suspension of work on the Camrose-Ryley Plant the Company increased its coal exploration activities which had been under way in the Keephills area since the fall of 1975. This area is adjacent to the existing Highvale Mine and includes a suitable power plant site about five miles southeast of the present Sundance Plant. An application was filed in November seeking approval to develop this South Sundance Power Project. Coal reserves from the existing Highvale Mine supplemented by reserves from a southerly extension of the mine will supply sufficient coal for the estimated service lives of both the Sundance and South Sundance Plants.

Because generating facilities have become increasingly larger and more complex, a Generation Projects Management Department has been formed to monitor such construction. In addition, the Company along with other owners of major construction projects is a member of the Construction Owners Association of Alberta which was formed to co-operate with the construction industry in improving labour management relations and to alleviate the rapid escalation in construction costs.

Alberta 4H Club conservation camps co-sponsored by the Company.

The Company has completed technical feasibility studies for the Provincial Government of hydro-electric generation on the Peace River near Dunvegan in northwestern Alberta. Other possible sites are continuously under review to ensure that future power projects are developed in a timely manner to provide an adequate and reliable supply of electricity.

Since the early 1950's when the Company decided to use low cost coal as the primary fuel for steam electric generation and locate power plants adjacent to the mines, substantial reserves of sub-bituminous low sulphur coal have been acquired through ownership, lease or control. Capital expenditures exceeding $83 million have been made to date for major mining equipment such as draglines, shovels and large coal haulers. For example, a new $18.2 million 50 cubic yard dragline, capable of uncovering 20,000 tons of coal daily, began operations in November. Despite these substantial costs, significant benefits are being derived as fuel produced from the Company's coal mines ranks among the least expensive in North America. Such benefits are reflected in the Company's electricity rates which would have been much higher had gas or oil been used instead of coal as the primary fuel for its steam electric generating plants.

AEC POWER LTD.

As part of its expanding electric utility operations, the Company, through partial ownership of the utility services plant, is involved in the Syncrude Project for the production of synthetic crude oil from Alberta oil sands. AEC Power Ltd. is constructing, owns and will operate the utilities plant to supply electricity and steam on a cost of service basis to the Syncrude Project. The Company participates with Alberta Energy Company Ltd. in AEC Power Ltd. and owns one-third of the outstanding common shares of AEC Power Ltd. (consisting of 50% of the voting shares) acquired at a cost of $8 million. Syncrude anticipates that production of synthetic crude oil will begin in 1978. Since the oil sands in northern Alberta comprise one of the world's largest known reserves of petroleum, investment in this area appears to offer considerable potential.

ORGANIZATION

In August J. H. Coleman resigned as a director of the Company and the Board expresses its gratitude to Mr. Coleman for his many contributions. In February 1977 H. J. S. Pearson, President of Century Sales & Service Limited, was appointed a director to fill this vacancy.

C. F. Mallory, a director since 1973, was appointed Vice-President to assist senior management particularly in the area of corporate planning. F. A. R. McKinnon, Director of Finance, was assigned the added responsibility of Treasurer.

The Company is of the view that there is a lack of information in Alberta schools relating to energy supply, use and environmental effects. To provide leadership in this important area the Company assisted in the formation of the Society, Environment & Energy Development Studies Foundation Program (SEEDS) a non-profit educational foundation created to develop resource material on energy and the environment for school systems. In addition to this program, for over a decade the Company has been a co-sponsor of camps for members of Alberta 4H Clubs where good conservation practices are taught, stressing factual information on such subjects as soil, water, fish and wildlife, range and forest management.

Employee compensation adjustments for 1976 were implemented within the Anti-Inflation Board guidelines. The Company continued to stress self-improvement by providing employees with opportunities to increase their skills through on-the-job training and outside educational courses.

The favourable image of the Company and its achievements reflected throughout this report are due in large measure to the dedication, resourcefulness, skills and hard work of the management and staff. It is a pleasure to acknowledge their efforts.

Submitted on behalf of the Board of Directors.

A. W. Howard

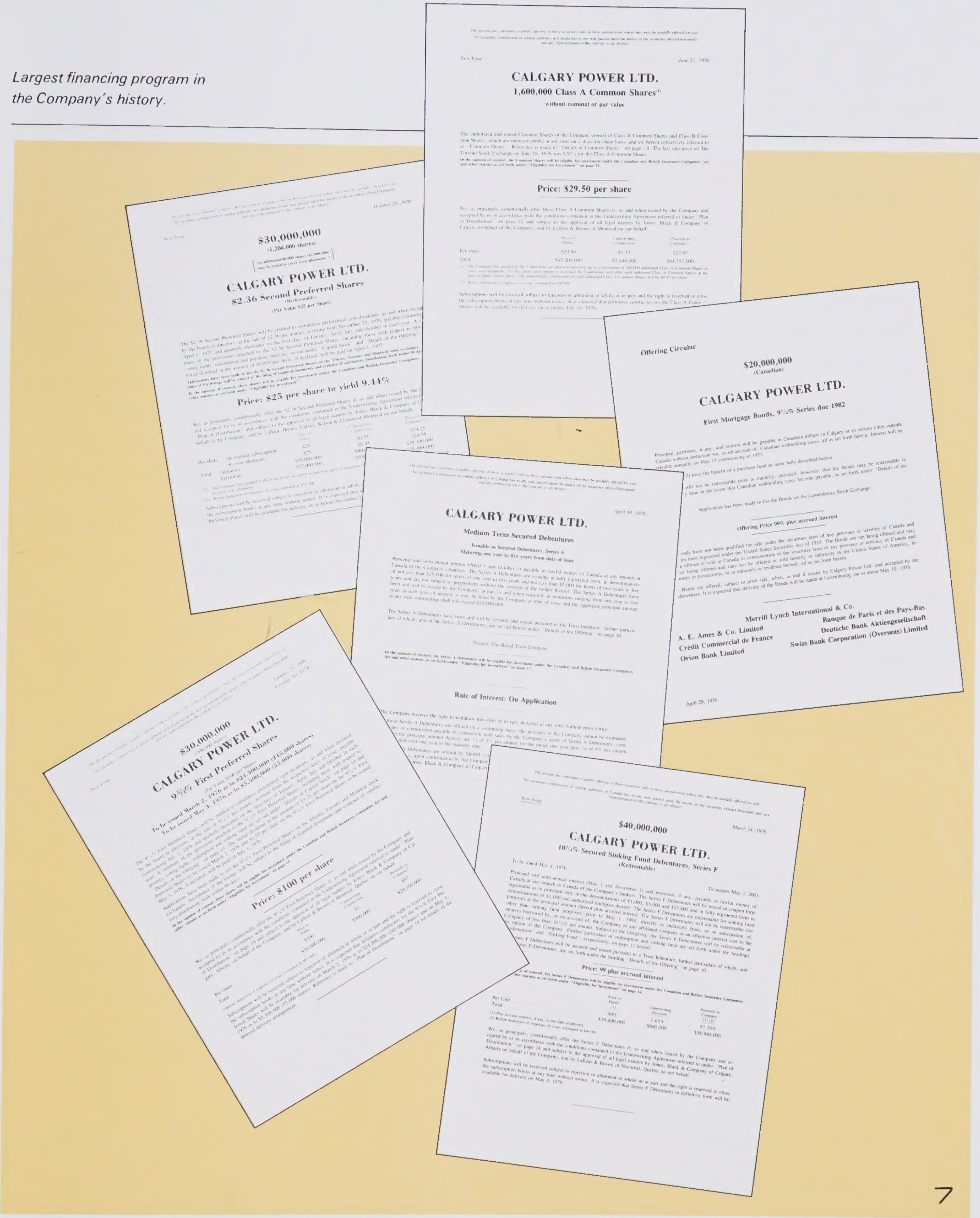
A. W. Howard
Chairman of the Board

M. M. Williams

M. M. Williams

February 17, 1977

Largest financing program in the Company's history.



CALGARY POWER LTD.

CONSOLIDATED BALANCE SHEET

December 31, 1976 and 1975

ASSETS

	1976	1975
	(thousands of dollars)	
PROPERTY ACCOUNT:		
Land, buildings, plant and equipment at cost	**$1,083,430**	$879,296
Less accumulated depreciation	**182,052**	159,901
	901,378	719,395
INVESTMENT IN AEC POWER LTD.	**8,824**	—
CURRENT ASSETS:		
Cash	**68**	39
Accounts receivable	**17,711**	18,332
Materials and supplies at average cost	**15,415**	11,872
Prepaid expenses	**536**	501
	33,730	30,744
DEFERRED CHARGES:		
Financing costs less amortization	**15,144**	9,119
Other	**202**	357
	15,346	9,476
	$959,278	$759,615

On behalf of the Board:

A. W. HOWARD, Director

R. F. PHILLIPS, Director

(See accompanying summary of accounting policies and notes)

LIABILITIES

	1976	1975
	(thousands of dollars)	
SHAREHOLDERS' EQUITY:		
Common shares	**$114,570**	$ 56,915
Contributed surplus	**777**	255
Reserve for rate adjustments (Note 1)	**2,120**	2,363
Retained earnings	**134,680**	118,894
Total common shareholders' equity	**252,147**	178,427
Preferred shares	**159,038**	106,087
Total shareholders' equity	**411,185**	284,514
LONG TERM DEBT	**386,619**	322,971
CURRENT LIABILITIES:		
Bank loan and short term notes	**14,457**	37,405
Accounts payable and accrued charges	**36,686**	24,366
Income and other taxes payable	**7,041**	1,790
Dividends payable	**7,395**	5,484
Accrued interest on long term debt	**8,223**	6,236
Consumers' deposits	**407**	355
Current portion of long term debt	**9,666**	6,972
	83,875	82,608
DEFERRED CREDITS:		
Deferred income taxes	**42,103**	42,065
Customer contributions	**30,903**	22,757
Government contribution	**4,593**	4,700
	77,599	69,522
	$959,278	$759,615

CALGARY POWER LTD.

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31, 1976 and 1975

	1976	1975
	(thousands of dollars)	
Gross revenue from operations (Note 2)	**$166,254**	$128,606
Operating deductions:		
Operating expenses	**40,425**	30,998
Fuel and purchased power	**14,515**	14,210
Taxes, other than taxes on income	**6,546**	5,252
Depreciation	**24,506**	18,484
Taxes on income	**21,548**	15,100
	107,540	84,044
Operating income	**58,714**	44,562
Equity in net income of AEC Power Ltd.	**824**	—
Allowance for funds used during construction	**15,161**	11,692
Income before interest charges	**74,699**	56,254
Interest charges:		
Interest on first mortgage bonds	**12,030**	11,157
Interest on other long term debt	**18,508**	14,074
Other interest (net)	**1,615**	1,562
	32,153	26,793
Net income for the year	**42,546**	29,461
Dividends on preferred shares	**11,004**	7,520
Earnings applicable to common shares	**$ 31,542**	$ 21,941
Earnings per common share:		
On average shares actually outstanding	**$3.78**	$3.40
Fully diluted — assuming conversion of the 5.40% convertible first preferred shares	**—**	$3.36

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31, 1976 and 1975

	1976	1975
	(thousands of dollars)	
Balance at beginning of year	**$118,894**	$107,367
Net income for the year	**42,546**	29,461
	161,440	136,828
Deduct dividends:		
Preferred shares	**10,678**	7,520
Common shares	**16,082**	10,414
	26,760	17,934
Balance at end of year	**$134,680**	$118,894

(See accompanying summary of accounting policies and notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1976 and 1975

	1976	1975
	(thousands of dollars)	
SOURCE OF FUNDS		
From operations:		
Net income for the year	**$ 42,546**	$ 29,461
Add (deduct) items not involving funds —		
Depreciation	**24,506**	18,484
Allowance for funds used during construction	**(15,161)**	(11,692)
Equity in net income of AEC Power Ltd.	**(824)**	—
Funds provided from operations	**51,067**	36,253
Issue of common shares	**57,655**	32,927
Less common shares issued on conversion of preferred shares	**(5,531)**	(427)
Issue of first preferred shares	**30,000**	20,000
Issue of second preferred shares	**32,000**	—
Issue of long term debt:		
First mortgage bonds	**20,000**	—
Notes payable — secured	**19,653**	17,955
Secured debentures	**40,405**	60,444
Sundry indebtedness	**1,408**	482
Other	**3,517**	3,248
	$250,174	$170,882
APPLICATION OF FUNDS		
Capital expenditures	**207,520**	160,519
Less allowance for funds used during construction	**(15,161)**	(11,692)
	192,359	148,827
Investment in AEC Power Ltd.	**8,000**	—
Dividends:		
Preferred shares	**10,678**	7,520
Common shares	**16,082**	10,414
Reduction of preferred shares	**3,519**	1,042
Retirement of long term debt	**15,123**	17,064
Decrease (increase) in bank loan and short term notes	**22,948**	(26,000)
Decrease (increase) in working capital deficiency exclusive of changes in bank loan and short term notes and current portion of long term debt	**(18,535)**	12,015
	$250,174	$170,882

(See accompanying summary of accounting policies and notes)

AUDITORS' REPORT

To the Shareholders of Calgary Power Ltd.

We have examined the consolidated balance sheet of Calgary Power Ltd. and the consolidated statements of long term debt and capital stock as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
February 2, 1977.

CLARKSON, GORDON & CO.,
Chartered Accountants.

STATEMENT OF LONG TERM DEBT

December 31, 1976 and 1975

	1976	1975
	(thousands of dollars)	
First mortgage bonds	$156,971	$149,147
Notes payable — secured	48,771	30,929
Secured debentures	167,372	127,603
Notes payable — other	15,630	14,915
Sundry indebtedness	7,541	7,349
	396,285	329,943
Less current portion	9,666	6,972
	$386,619	$322,971

First Mortgage Bonds

	1976	1975
4½% Series due 1976	$ —	$ 3,025
5½% Series due 1977	4,446	6,297
8¼% Series due 1977	200	2,500
5½% Series due 1978	3,700	3,700
7.80% Series due 1978	—	5,000
4 % Series due 1979	3,165	3,165
5¾% Series due 1981	9,400	9,400
8¾% Series due 1981	11,500	11,500
5¾% Series due 1982	8,000	8,000
9¾% Series due 1982	20,000	—
5¾% Series due 1983	9,000	9,000
5⅝% Series due 1984	7,000	7,000
6 % Series due 1985	8,560	8,560
7½% Series due 1988	12,000	12,000
7⅞% Series due 1989	5,000	5,000
8½% Series due 1993	25,000	25,000
9⅛% Series due 1994	30,000	30,000
	$156,971	$149,147

The first mortgage bonds are secured by a first and specific mortgage and charge upon certain of the Company's lands, buildings, plant and equipment and by a first floating charge upon all other assets situated in the Province of Alberta.

The Trust Deed securing the issues provides for a sinking fund for the retirement of first mortgage bonds payable on September 1 each year of 1% of the original principal amount of first mortgage bonds previously issued.

Notes Payable — Secured

	1976	1975
	(thousands of dollars)	
5½%, 6% and 7% Series due 1977 to 1987 (Payable in sterling - £17,961,000; 1975 - £10,546,000)	$37,545	$24,880
6% and 7% Series due 1978 to 1984 (Payable in U.S. dollars - $11,302,000; 1975 - $6,018,000)	11,226	6,049
	$48,771	$30,929

These notes have no authorized limit, are fully secured by first mortgage bonds and have been stated in Canadian funds at the rate of exchange prevailing at the date of issue.

Secured Debentures

	1976	1975
	(thousands of dollars)	
Series A — maturing one to five years at interest rates varying from 7½% to 11⅛%		
Due 1976	$ —	$ 1,235
Due 1977	1,006	1,006
Due 1978	542	542
Due 1979	11,075	10,075
Due 1980	444	444
Due 1981	405	—
	13,472	13,302
Series B — 9⅜ % due 1990	19,400	19,551
Series C — 8 % due 1992	24,500	24,750
Series D — 7⅝ % due 1978	3,000	3,000
— 7¾ % due 1980	7,000	7,000
Series E — 10½% due 2000	60,000	60,000
Series F — 10¾% due 2001	40,000	—
	$167,372	$127,603

The debentures are secured by a floating charge on the property and assets of the Company subject to the first and specific mortgage and charge and first floating charge securing the first mortgage bonds. The Trust Indenture securing the issue provides for sinking funds for the retirement of certain series at varying rates.

Notes Payable — Other

	1976	1975
	(thousands of dollars)	
1977	$ —	$ 2,910
1978	3,370	3,370
1979	2,670	2,670
1980	3,480	3,480
1981	2,485	2,485
1982	3,625	—
	$15,630	$14,915

These notes, which are unsecured and have no authorized limit bear interest, determined at June 30 and December 31 of each year, at the greater of the prevailing prime bank interest rate or the five year bank term deposit rate (9¼% at December 31, 1976) and mature December 31 in each year. These amounts are payable to rural electrification co-operative associations through their agent Farm Electric Services Ltd. and represent a portion of funds contributed by members of these associations which have been invested with the approval of the Alberta Director of Co-operative Activities.

Annual Requirements

The annual requirements for sinking fund and for repayment of maturing issues of currently outstanding long term debt for each of the following years is:

	Annual Requirement (thousands of dollars)	
Year ended Dec. 31	Sinking Fund	Maturing Issues
1977	$ 450	$ 9,216
1978	450	16,419
1979	1,050	22,541
1980	1,450	17,390
1981	3,652	34,730

Sinking fund requirements have been reduced by bonds purchased and cancelled to meet annual requirements. The requirements shown for maturing issues will be reduced to the extent of purchases of these issues for sinking fund purposes.

(See accompanying summary of accounting policies and notes)

STATEMENT OF CAPITAL STOCK

December 31, 1976 and 1975

	Shares issued and outstanding		Amount	
	1976	1975	1976 (thousands of dollars)	1975
Common Shares				
Authorized — 12,000,000 shares of no par value				
— Class A shares	8,914,268	7,094,602	$108,838	$54,194
— Class B shares	469,438	356,181	5,732	2,721
	9,383,706	7,450,783	$114,570	$56,915
During the year the following common shares were issued:				
For cash	1,750,000	1,300,000	$ 51,625	$32,500
On conversion of 55,304 (1975 - 4,276) 5.40% first preferred shares	165,912	12,828	5,531	427
For cash under the Dividend Reinvestment and Share Purchase Plan	17,011	—	499	—
	1,932,923	1,312,828	$ 57,655	$32,927

The Class A and Class B common shares are interconvertible at any time on a share-for-share basis, carry one vote per share and the total Class A and Class B common shares issued and outstanding at any one time may not exceed 12,000,000 shares. Regular dividends are paid on the Class A common shares and tax-deferred dividends may be paid on the Class B common shares. The tax-deferred dividend on the Class B shares is the equivalent cash dividend on the Class A shares less the required tax. Such tax-deferred dividends on the Class B shares will be paid out of tax-paid undistributed surplus on hand as defined under the Income Tax Act (Canada). At December 31, 1976 approximately $20,150,000 was available for the creation of tax-paid undistributed surplus.

	Shares issued and outstanding		Amount	
	1976	1975	1976 (thousands of dollars)	1975
Preferred Shares				
First preferred shares of $100 each				
Authorized — 3,000,000 shares				
Cumulative redeemable preferred shares				
4 % Series	48,631	49,788	$ 4,863	$ 4,979
4½ % Series	27,130	29,563	2,713	2,956
5 % Series	38,138	39,475	3,814	3,948
5.40 % Series	210	55,514	21	5,551
7 % Series	138,674	142,735	13,867	14,273
7½ % Series	237,595	243,800	23,760	24,380
10 % Series	288,000	300,000	28,800	30,000
9.80 % Series	192,000	200,000	19,200	20,000
9¾ % Series	300,000	—	30,000	—
	1,270,378	1,060,875	$127,038	$106,087
Second preferred shares of $25 each				
Authorized — 3,000,000 shares				
Cumulative redeemable preferred shares				
$2.36 Series	1,280,000	—	32,000	—
			$159,038	$106,087

During the year 300,000 9¾% first preferred shares and 1,280,000 $2.36 second preferred shares were issued for cash of $30,000,000 and $32,000,000 respectively.

Conversion rights on the 5.40% Series expired on November 30, 1976.

Each series of first preferred shares is cumulative and redeemable at the option of the Company at par together with a premium not in excess of the annual dividend applicable to such series, except that the 9.80% Series is not redeemable prior to January 1, 1982 and the 10% Series and the 9¾% Series are not redeemable prior to January 1, 1983.

The 7% Series and 7½% Series have attached thereto non-cumulative purchase funds requiring the Company to set aside in each calendar year 2% of the original issued par value of each series. The 10% Series has attached thereto a cumulative sinking fund requiring the Company to redeem by May 15 each year 12,000 shares at par plus accrued dividends to the date of redemption. The 9.80% Series has attached thereto a cumulative sinking fund requiring the Company to redeem by November 30 each year 8,000 shares at par plus accrued dividends to the date of redemption and the 9¾% Series has attached thereto a cumulative sinking fund requiring the Company to redeem by November 30, 1978 and each year thereafter 12,000 shares at par plus accrued dividends.

During the year the Company purchased for cancellation on the open market 4,061 first preferred shares of the 7% Series and 6,205 shares of the 7½% Series to meet the 1976 purchase fund requirement attached to such series and also purchased 4,927 first preferred shares of certain other series. The excess of the par value of the shares purchased over the cost thereof amounted to $522,000 and is included in contributed surplus.

The $2.36 Series is not redeemable prior to January 1, 1983 and has attached thereto a non-cumulative purchase fund requiring the Company to purchase 36,000 shares each calendar year at par plus accrued dividends and costs of purchase.

(See accompanying summary of accounting policies and notes)

SUMMARY OF ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company.

Regulation

The Company is engaged in the production and sale of electric energy in the Province of Alberta and is regulated by the Energy Resources Conservation Board pursuant to The Hydro and Electric Energy Act, (Alberta) and the Public Utilities Board pursuant to Part II of The Public Utilities Board Act, (Alberta). The Company and its hydro operations are also subject to The Provincial Water Power Regulations (Alberta). These acts and regulations cover such matters as rates, construction, operations and accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Kanelk Transmission Company Limited, Western Fly Ash Ltd. and Farm Electric Services Ltd. and its inactive subsidiaries, The Alberta Southern Coal Company Ltd. and The Calgary Water Power Company, Limited.

Kanelk Transmission Company Limited owns transmission facilities extending from the Company's hydro-electric plants on the Kananaskis River through British Columbia to the Crowsnest Pass in southern Alberta. Western Fly Ash Ltd. processes and distributes fly ash gathered at the Wabamun Steam Electric Plant. Farm Electric Services Ltd. is a non-profit organization which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by rural electrification co-operative associations.

Investment in AEC Power Ltd.

The investment in AEC Power Ltd. represents one third of the outstanding common shares (consisting of 50% of the voting shares) acquired at a cost of $8,000,000. AEC Power Ltd. was incorporated for the purpose of constructing, owning and operating the utilities plant which will supply electricity and steam on a cost of service basis to the Syncrude Project for production of synthetic crude oil from the Alberta oil sands. The utilities plant is presently under construction and is expected to be completed by April 1, 1978.

The Company accounts for its investment in AEC Power Ltd. on the equity method. Under this method the investment is carried on the balance sheet at a cost of $8,000,000 plus the related share of undistributed earnings (representing allowance for equity funds used during the construction period) of $824,000 to December 31, 1976.

Taxes on Income

The Company follows the tax allocation basis of accounting. Prior to 1973 deferred income taxes were recorded in the accounts as a result of the Company claiming for tax purposes depreciation and other items in amounts greater than those charged in the accounts.

In 1973 in accordance with a decision of the Public Utilities Board (Alberta) the Company ceased claiming for tax purposes depreciation and other expenses which would result in any additional deferral of income taxes with respect to its regulated utility operations.

Under the Public Utilities Income Tax Transfer Act (Canada) and enabling legislation passed by the Province of Alberta, 95% of Federal and 100% of Provincial corporation income taxes paid, attributable to the electric utility operations, are rebated to customers of the Company.

Allowance for Funds Used During Construction

An allowance for funds used during construction is capitalized at the Company's average after-tax cost of capital and is included in the property account.

The Company is proposing, subject to the approval of the Public Utilities Board (Alberta), to phase out the allowance for funds used during construction on major generation and mining projects and that the allowance continue to be capitalized on other projects at the present rate of 7%. This phasing out of allowance for funds used during construction, if approved by the Board, would commence in 1977 with the construction of Sundance No. 6 and all subsequent major generating projects and mine investments including the expansion of the Highvale and Whitewood Mines. At the same time, such construction in progress would be included in the determination of rates and accordingly, there would be no impact on net income and the cash flow of the Company would be improved in subsequent years.

Customer Contributions

Contributions received from customers related to new service connections are credited to deferred revenue and are amortized to income over the expected terms of the revenue deficiencies. The composite rate of amortization is approximately 3% per annum.

Government Contribution

This account consists of the unamortized portion of a contribution of $5,075,000 received from the Province of Alberta towards the cost of construction of the Bighorn Storage and Power Development Project completed in 1972 and is being amortized as a reduction of the related depreciation expense.

Financing Costs

Costs of financing are amortized by charges to expense as follows:

Debt issues — over the lesser of the remainder of the original life or the estimated average life of the respective issues.

Equity issues — over the lesser of the 30 years or the estimated average life of the issue.

Gains or losses realized on the purchase of Company debt for sinking fund purposes are amortized over the remaining life of the issue.

These policies are in accordance with the method of determining the Company's cost of capital for regulatory purposes.

Property Account

The land, buildings, plant and equipment are carried at cost and include property under construction of $178,266,000 at December 31, 1976 ($203,135,000 in 1975).

The Company provides for depreciation on a straight-line basis using various rates as set by the Public Utilities Board (Alberta) based on depreciation studies previously prepared by the Company which resulted in an overall composite rate for 1975 of 3.19% and for 1976 of 3.04%.

Studies recently completed by the Company indicate that the composite rate should be raised by .30% and depreciation for the year ended December 31, 1976 has been provided accordingly. This additional depreciation has resulted in a reduction of net income for the year of approximately $1,099,000 and is subject to the approval of the Public Utilities Board (Alberta).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1976

1. Reserve for Rate Adjustments

In accordance with submissions by the Company to the Public Utilities Board (Alberta), reassessments, if any, related to the determination of resource income for tax purposes and rate hearing costs as directed will be charged to this reserve. The Company has ceased amortization of this reserve pending direction from the Public Utilities Board (Alberta). The reserve is being treated for rate making purposes as an interest-free source of capital. During 1976 rate hearing costs in the amount of $243,000 (after income tax) have been charged to this reserve.

2. Rates for Service

On October 25, 1976 the Company filed Notice of Application for the redetermination of its rate base, a fair return thereon and total revenue requirements for the years 1977 and 1978. The Board has granted an interim rate increase as set out in the rate schedules which provide for an overall average increase of 14.8% effective for billings on and after January 1, 1977 for consumption on and after December 1, 1976. The hearing to determine rate base, a fair return thereon and revenue requirements commenced in January 1977.

3. Pension Plan

The Company has a retirement pension fund covering substantially all employees. Based on actuarial advice an unfunded past service obligation of approximately $8,500,000 at January 1, 1975 is being funded and charged to operations in annual amounts of $993,000.

4. Directors and Officers

The Board of Directors consists of eleven directors of whom two are officers of the Company. The aggregate remuneration paid during 1976 by the Company to the directors as directors was $23,000 and to the nine officers as officers was $255,000 (1975 - $25,000 and $237,000 respectively). In addition, the Company paid $120,000 (1975 - $109,000) indirectly for the services of certain of the officers and directors.

5. Anti-Inflation Act

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. The legislation is applicable to increases in prices and profit margins, employee compensation and shareholder dividends. The Company's rates are regulated by the Public Utilities Board (Alberta) and the extent to which the guidelines under the Act may affect the Company is not known. However, the Government of the Province of Alberta has indicated that it expects the Public Utilities Board (Alberta) will permit regulated companies that provide the Province with essential utilities to earn rates of return sufficient to assure the continued viability and economic strength of such companies.

CONSOLIDATED 1[0]

	1976	1975	1974
Financial Record (thousands of dollars)			
Gross revenue from operations			
Residential, general service and small industry	**$ 46,787**	35,657	27,463
Industry	**58,562**	45,892	37,468
Cities and towns under wholesale contracts	**44,045**	32,687	24,982
Farms	**14,178**	12,254	10,290
Other electrical	**1,393**	1,004	1,199
Total electrical	**$164,965**	127,494	101,402
Water utility revenue	**1,289**	1,112	1,047
Gross revenue from operations	**$166,254**	128,606	102,449
Operating deductions			
Operating expenses	**$ 40,425**	30,998	25,810
Fuel and purchased power	**14,515**	14,210	8,065
Taxes, other than taxes on income	**6,546**	5,252	4,263
Depreciation	**24,506**	18,484	17,058
Taxes on income	**21,548**	15,100	14,495
	$107,540	84,044	69,691
Operating income	**$ 58,714**	44,562	32,758
Equity in net income of AEC Power Ltd.	**824**	—	—
Allowance for funds used during construction	**15,161**	11,692	4,142
Income before interest charges	**$ 74,699**	56,254	36,900
Interest charges:			
Interest on first mortgage bonds	**$ 12,030**	11,157	10,550
Interest on other long term debt	**18,508**	14,074	8,221
Other interest (net)	**1,615**	1,562	801
	$ 32,153	26,793	19,572
Net income before extraordinary item	**$ 42,546**	29,461	17,328
Gain on sale of property	—	—	1,628
Net income for the year	**$ 42,546**	29,461	18,956
Total shareholders' investment (1)	**$411,185**	284,514	221,342
Net income as a % of average shareholders' investment	**12.2**	11.6	9.6
Book value per common share (year end)	**$26.87**	23.95	21.80
Earnings per common share	**$ 3.78**	3.40	2.68(2)
Dividends per common share (declared)	**$ 1.90**	1.60	1.25
Statistical Record			
KWH Sales (millions)			
Residential, general service and small industry	**1,299**	1,166	1,029
Industry	**3,192**	3,028	3,122
Cities and towns under wholesale contracts	**3,852**	3,640	3,270
Farms	**588**	564	531
	8,931	8,398	7,952
Customers			
Served directly	**198,558**	184,740	171,977
Served indirectly through wholesale contracts	**202,684**	190,978	182,601
Generating capability (net MW)			
Hydro	**800**	800	800
Thermal	**1,493**	1,141	1,141
	2,293	1,941	1,941
Capital Expenditures (thousands of dollars)	**$207,520**	160,519	120,209
Total Assets	**$959,278**	759,615	601,564
Capitalization ratio % (3)			
Long term debt	**48.5**	53.2	53.5
Preferred shares	**19.9**	17.4	18.4
Common shareholders' equity (1)	**31.6**	29.4	28.1
	100.0	100.0	100.0

Note: (1) Restated to include reserve for rate adjustments.
(2) 1974 includes a non-recurring gain on sale of property of 29¢ per share.
(3) Restated to exclude current portion of long term debt due within one year.

YEAR SUMMARY

1973	1972	1971	1970	1969	1968	1967
22,805	18,345	16,622	15,042	14,033	14,041	13,046
32,224	24,975	21,361	18,776	16,389	14,412	12,195
20,736	17,395	16,334	15,145	13,158	11,436	10,537
8,707	7,756	7,258	6,588	6,271	5,675	5,406
678	702	663	649	602	348	213
85,150	69,173	62,238	56,200	50,453	45,912	41,397
973	853	764	648	600	581	533
86,123	70,026	63,002	56,848	51,053	46,493	41,930
20,113	17,553	15,449	13,144	11,436	9,812	9,784
8,653	5,742	4,842	5,103	3,731	3,521	3,093
3,543	3,365	2,851	2,597	2,442	2,126	1,948
14,490	13,100	12,200	10,900	9,500	8,500	7,400
9,840	5,450	5,530	7,430	7,530	7,350	6.660
56,639	45,210	40,872	39,174	34,639	31,309	28,885
29,484	24,816	22,130	17,674	16,414	15,184	13,045
—	—	—	—	—	—	—
3,760	3,718	2,051	4,256	2,235	1,822	2,432
33,244	28,534	24,181	21,930	18,649	17,006	15,477
8,065	7,437	6,515	6,600	6,426	5,343	4,478
7,801	6,491	4,425	2,151	1,304	897	717
1,074	467	360	1,493	342	816	558
16,940	14,395	11,300	10,244	8,072	7,056	5,753
16,304	14,139	12,881	11,686	10,577	9,950	9,724
—	—	—	—	—	—	—
16,304	14,139	12,881	11,686	10,577	9,950	9,724
175,233	126,775	119,076	112,745	106,866	101,834	97,429
10.8	11.5	11.1	10.6	10.1	10.0	10.2
21.01	19.49	18.11	16.33	15.21	14.25	13.41
2.62	2.38	2.18	1.97	1.76	1.64	1.59
1.10	1.00	1.00	.85	.80	.80	.72½
921	813	718	636	597	608	555
3,069	2,648	2,242	1,957	1,735	1,441	1,219
2,914	2,741	2,482	2,336	1,998	1,669	1,510
479	458	424	379	359	321	303
7,383	6,660	5,866	5,308	4,689	4,039	3,587
164,136	153,118	146,193	139,925	135,161	140,244	136,837
159,960	152,509	144,833	137,004	140,283	123,324	116,724
800	800	680	680	680	680	680
1,141	855	860	860	574	574	294
1,941	1,655	1,540	1,540	1,254	1,254	974
66,836	66,245	49,895	49,945	40,867	30,669	29,189
492,335	438,976	377,313	339,558	297,617	270,179	247,032
55.0	63.5	59.2	58.8	55.6	54.9	53.4
14.9	5.2	6.2	9.9	11.2	12.0	12.9
30.1	31.3	34.6	31.3	33.2	33.1	33.7
100.0	100.0	100.0	100.0	100.0	100.0	100.0

A statistical summary providing additional financial information is available upon request to:
The Treasurer,
Calgary Power Ltd., Box 1900,
Calgary, Alberta T2P 2M1

RATE REGULATION

The Company's rates are regulated by the Public Utilities Board (Alberta). Except upon questions of jurisdiction or of law, for which leave to appeal to the Appellate Division of the Supreme Court of Alberta may be obtained, orders and decisions of the Board are final.

Calgary Power is regulated on a cost of service basis in common with most investor-owned utilities in North America. As a result of this regulatory process and, after full examination in a public hearing, only the cost of doing business, including a fair return on capital investment, is permitted to be built into rate schedules. Accordingly, existing regulatory procedure appears to satisfy the federal and provincial anti-inflation programs.

The estimated revenue requirement for 1976 as determined by the Board was calculated to allow earnings of $3.75 per share which approximates a rate of return of 15% on book value of common shares. With Board approval the Company implemented an overall rate increase of 15.4% on January 1, 1976 and a further increase of 9% effective July 1.

On October 25, 1976 the Company filed Notice of Application for the redetermination of its rate base, a fair return thereon and total revenue requirements for the years 1977 and 1978. The application provides for continuation of a 15% return on common equity to yield earnings per share of $4.18 in 1977 and $4.57 in 1978. The Board has granted an interim initial rate increase which provides for an overall average increase of 14.8% effective for billings on and after January 1, 1977 for consumption on and after December 1, 1976. These interim rates are subject to review by the Board and the Company will refund to its customers such amounts collected under interim rates as the Board may direct. The hearing commenced in November 1976 and it is expected that a decision by the Board regarding the allowable level of revenue will be rendered late in 1977. To meet the full revenue requirements during this two-year period additional rate increases are indicated in late 1977 and in mid-1978.

Under present regulatory procedures in Alberta costs of construction incurred over several years are charged to consumers through electricity rates only after the facilities are commissioned. This procedure, coupled with high interest rates, adversely affects the Company's cash flow. In the current application the Company has requested approval to cease capitalizing an allowance for funds used during construction and include construction work in progress in rate base for generating units and related coal mine investments. To phase in this procedure the Company suggests it commence with Sundance No. 6. In addition to improving cash flow electricity rates would reflect the impact of inflation on new plants as these are being built rather than having the effect delayed for several years until the projects are completed.

The Board has recognized that only a financially sound utility can attract capital on the best terms, the benefit of which flows to the consumer. Significant features of the Board's regulatory practice include utilization of future years forecasts, granting of interim rates and use of earnings per share in determining required levels of revenue. By setting out required levels of revenue and the main elements of the Company's income account the Board has ensured that its decisions can be readily understood in the financial community. As a result the Company continues to have access to the capital markets and is able to raise at reasonable cost the substantial sums required for construction of additional generating plant and other facilities to supply its growing load.

THE COMPANY

Primary business	Generation and distribution of electricity
Service area	75,000 square miles in the Province of Alberta and over 60% of Alberta's electric energy requirements
Net generating capability	2,293,000 kilowatts
Number of common and preferred shareholders	21,281 Canadian and 280 other
Percentage of Common and Preferred Shares held	99% Canadian and 1% other

Calgary Power Ltd., the largest investor-owned electric utility in Canada, provides electric service to one of the country's most prosperous and rapidly developing areas. Incorporated under the laws of Canada and Canadian owned throughout its history, the Company has been engaged in the production and distribution of electricity in the Province of Alberta since 1911. It supplies a diversified load within its service area of some 75,000 square miles from the international boundary on the south to approximately 115 miles north of Edmonton. Over 60% of Alberta's energy requirements and over half of the population of the province are supplied by the Company.

In 1911 the Company completed its first generating plant, the Horseshoe Falls Hydro-electric Plant with a capacity of 13,900 kilowatts, to serve the City of Calgary and the Canada Cement Plant at Exshaw. Some communities had no electric power and others were supplied with high cost electricity from small isolated plants that operated only during specified hours. In the mid 1920's the Company began an expansion program to provide central station service 24 hours a day to these communities. The expansion program has continued over the years and the Company now supplies some 603 cities, towns, villages and hamlets, as well as farms and other customers in the surrounding rural areas. At the end of 1976 the Company served 198,558 customers directly and an additional 202,684 customers indirectly through wholesale power contracts.

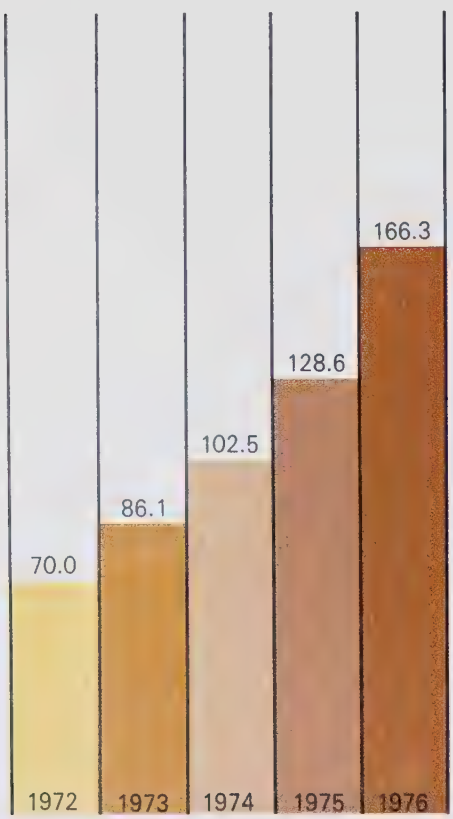
The Company now owns and operates 13 hydro-electric plants and two steam electric plants with a total net generating capability of almost 2.3 million kilowatts. By 1980 an additional one million kilowatts will have been added at the Sundance Plant. The existing generating capability is made up of 800,000 kilowatts of hydro and 1,493,000 kilowatts of thermal generation. Operations of the hydro and thermal plants are combined to achieve minimum overall cost of energy. The large coal-fueled steam electric units supply the base or continuous load, while the hydro-electric plants are operated mainly to supply the peak load and the balance of the energy requirements. The Company has mined its own coal to meet most of its fuel requirements since 1962 when oil and gas, valuable feedstock for chemical processing, were rapidly becoming premium fuels which would soon become too expensive and scarce for power generation. The Company owns and operates two large coal mines for its primary fuel supply and mines about 5 million tons annually.

The Company's power system is highly automated. The 13 hydro-electric plants comprising 26 unattended generating units are operated remotely from a control centre 45 miles west of Calgary. The control centre handles load dispatching for all the generating plants, directs the operation of the main transmission system and has remote control of the majority of the switching points.

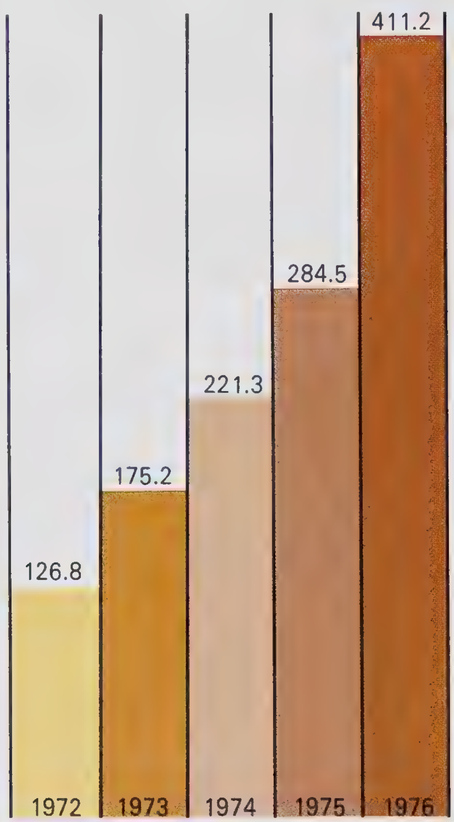
The Company owns approximately 23,000 miles of transmission and distribution lines. For efficiency and reliability the system is interconnected with all other major power plants in Alberta and with the system of British Columbia Hydro and Power Authority. Through the interconnection with B.C. Hydro the Company is also indirectly connected with the power pool of electric utilities operating in the northwestern United States.

At the end of 1976 staff positions including Farm Electric Services Ltd. totalled 1,893. In addition the Company provided employment during the summer for 164 university, technical and high school students.

Gross Revenue from Operations
(Millions of Dollars)



Total Shareholders' Investment
(Millions of Dollars)



Net Income
(Millions of Dollars)

CORPORATE INFORMATION

Head Office

110 - 12th Avenue South West, Calgary, Alberta

Postal Address:
Box 1900, Calgary, Alberta T2P 2M1

Solicitors

JONES, BLACK & COMPANY, Calgary

DUNCAN & CRAIG, Edmonton

Transfer Agents and Registrars

For Preferred Shares:

CROWN TRUST COMPANY, Vancouver, Calgary, Winnipeg, Toronto, Montreal

Montreal Trust Company, Regina, as Agent of Crown Trust Company

For Common Shares:

MONTREAL TRUST COMPANY, Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal

Trustees and Registrars

For First Mortgage Bonds:

MONTREAL TRUST COMPANY, Vancouver, Calgary, Toronto, Montreal

For Debenture Issues:

THE ROYAL TRUST COMPANY, Vancouver, Calgary, Toronto, Montreal

Auditors

CLARKSON, GORDON & CO., Chartered Accountants, Calgary


ALBERTA
CANADA
CALGARY POWER LTD.
MAIN TRANSMISSION LINES
HYDRO-ELECTRIC PLANTS
THERMAL ELECTRIC PLANTS
BRITISH COLUMBIA
SASKATCHEWAN
U.S.A.
PROPOSED HYDRO SITE
LAKE ATHABASCA
LAKE CLAIRE
FORT VERMILLION
PEACE
SYNCRUDE UTILITIES PLANT
FORT McMURRAY
PEACE RIVER
DUNVEGAN
LESSER SLAVE LAKE
HIGH PRAIRIE
GRANDE PRAIRIE
ATHABASCA
LAC LA BICHE
WHITECOURT
WESTLOCK
BARRHEAD
REDWATER
NORTH SASKATCHEWAN RIVER
FT SASKATCHEWAN
EDSON
WABAMUN
SUNDANCE
EDMONTON
HINTON
DEVON
LEDUC
DRAYTON VALLEY
VIKING
BRAZEAU RESERVIOR
BIG BEND
CAMROSE
WAINWRIGHT
RIMBEY
PONOKA
BATTLE
PROVOST
ROCKY MOUNTAIN HOUSE
RED DEER
ABRAHAM LAKE
DRUMHELLER
BEISEKER
ROCKYFORD
BANFF
CASCADE
CANMORE
HORSESHOE
GHOST
BEARSPAW
CALGARY
STRATHMORE
THREE SISTERS
BARRIER
KANANASKIS
POCATERRA
INTERLAKES
BLACK DIAMOND
TURNER VALLEY
HIGH RIVER
BASSANO
PRINCESS
BROOKS
VULCAN
VAUXHALL
TABER
BOW ISLAND
MEDICINE HAT
COALDALE
LETHBRIDGE
BLAIRMORE
PINCHER CREEK
RAYMOND
FOREMOST
WARNER
CARDSTON
MILK RIVER

CALGARY
POWER

ALCRAFT • CALGARY
LITHO'D IN CANADA

AR09

INTERIM REPORT

June 30, 1976

Concorp

CALGARY POWER

TO THE SHAREHOLDERS:

Gross revenue from operations for the six months ended June 30, 1976 was $79.6 million an increase of 23% over that recorded for the same period in 1975. Earnings applicable to common shares were $16.5 million or $2.21 per common share in the first half year up from the $12.4 million and the $2.02 per share reported in the comparable period last year. On a twelve month basis earnings per common share were $3.67 up from $3.25.

On June 17, 1976 the Directors declared a dividend payable on October 1, 1976 of 50¢ per common share representing an increase of 5¢ per common share over the dividend paid July 1, 1976.

The Company is pleased to report a very successful issue of common shares. 1,750,000 shares were issued during July providing an increase in equity capital of $51.6 million. A broad institutional response was received together with a strong retail demand within the Province of Alberta.

The Company's new dividend reinvestment plan was well received by the shareholders and on the basis of participation to date some $1 million will be received from the plan on an annual basis. The first 1976 dividends were reinvested on July 1, 1976 at a price of $28.15, as compared with a market price including brokerage of some $30.00 per share. Eligible shareholders who have not already reinvested their dividends and wish to participate in this plan can do so by filling out the enclosed card.

On July 15, 1976 Premier Lougheed announced that our application to develop a new generating facility in the Camrose-Ryley area of Alberta for 1982-83 would not receive Government approval. In releasing the decision the Premier stated "pursuant to our new coal development policy we concluded that this proposal, as presently conceived, would disturb too much prime agriculture land in comparison with other potential plains coal fields, particularly the Sheerness field near Hanna."

The Company is naturally disappointed with the present decision of the Alberta Government on this project. When the application for the Camrose-Ryley project was filed, the Company was of the firm conviction that satisfactory reclamation of the agricultural lands could be achieved and that view is still held. Additional work will be required to strengthen our position. In the meantime investigation and evaluation is being directed towards the Sheerness field as well as others. In our opinion, these alternatives can meet the guidelines of the Alberta Government and ensure that the Company will be able to successfully supply the power requirements of our customers in the period ahead.

The Premier recognizes the importance of an adequate supply of energy in the Province and emphasized that it is a prime objective of the Government to ensure an adequate supply of electric power at reasonable cost to the consumers. He noted that by the mid-1980s Albertans may have to choose between projects which disrupt agricultural land or have other environmental or social disadvantages as compared with other projects which would add considerably to the monthly electrical bill of Albertans.

The Premier noted that Alberta is fortunate in having relatively low cost plains coal deposits as an energy resource in the Province. As a part of the Alberta coal development policy the Province has decided that such coal developments will firstly be made for the purposes of meeting Alberta's growing demands for electric energy and serving the Province's industrial requirements.

On June 30, 1976 the Alberta Public Utilities Board issued its decision in respect of Phase II, dealing with the approved rates to be charged by Calgary Power for the years 1975 and 1976. In this decision the Board approved as final the interim rates that have been in effect during 1975 and 1976 and approved the implementation of new rates effective July 1, 1976. These revised rates provide for an overall increase of 9% over the level of rates that were in effect during the first part of 1976. These rates are estimated to yield the revenue levels previously found by the Board as being required in the Phase I decision.

CALGARY POWER LTD.

August 3, 1976

CALGARY POWER LTD.

Consolidated Statement of Income
(thousands of dollars)

	6 Months Ended June 30		12 Months Ended June 30	
	1976	1975	1976	1975
Gross revenue from operations	$79,635	$64,705	$143,662	$115,721
Operating deductions:				
Operating expenses	18,872	15,340	34,656	28,679
Fuel and purchased power	7,784	4,244	17,750	8,713
Taxes, other than taxes on income	3,226	2,668	5,810	4,985
Depreciation	9,823	9,129	19,178	17,724
Taxes on income	11,159	9,591	16,668	15,888
	50,864	40,972	94,062	75,989
Operating income	28,771	23,733	49,600	39,732
Equity in net income of AEC Power Ltd	204	—	204	—
Allowance for funds used during construction	8,487	4,596	15,583	7,570
Income before interest charges and extraordinary item	37,462	28,329	65,387	47,302
Interest Charges:				
Interest on first mortgage bonds	5,684	5,623	11,218	11,356
Interest on other long term debt	8,376	6,343	16,107	10,597
Other interest (net)	1,756	671	2,647	1,419
	15,816	12,637	29,972	23,372
Net income before extraordinary item	21,646	15,692	35,415	23,930
Gain on sale of property	—	—	—	590
Net income for the period	21,646	15,692	35,415	24,520
Dividends on preferred shares	5,143	3,314	9,349	5,197
Earnings applicable to common shares	$16,503	$12,378	$26,066	$19,323
Earnings per common share:				
On average shares actually outstanding				
Before extraordinary item	$2.21	$2.02	$3.67	$3.15
Gain on sale of property	—	—	—	.10
Total earnings per share	$2.21	$2.02	$3.67	$3.25
Fully diluted — assuming conversion of the 5.40% convertible first preferred shares				
Before extraordinary item	$2.18	$1.98	$3.62	$3.11
Gain on sale of property	—	—	—	.10
Total earnings per share	$2.18	$1.98	$3.62	$3.21

(Subject to year end adjustments and audit)

CALGARY POWER LTD.

Consolidated Statement of Changes in Financial Position
(thousands of dollars)

	6 Months Ended June 30 1976	6 Months Ended June 30 1975
SOURCE OF FUNDS		
From operations:		
Net income for the period	$ 21,646	$15,692
Add item not involving funds — Depreciation	9,823	9,129
	31,469	24,821
Issue of first preferred shares	30,000	—
Issue of long term debt:		
First mortgage bonds	20,000	—
Notes payable — secured	7,264	11,828
Secured debentures	40,205	60,266
Sundry indebtedness	453	236
Other	1,663	1,081
	$131,054	$98,232
APPLICATION OF FUNDS		
Capital expenditures	$ 99,445	$86,642
Investment in AEC Power Ltd.	8,204	—
Dividends:		
Preferred shares	5,143	3,314
Common shares	6,717	4,297
Reduction of preferred shares	1,810	604
Retirement of long term debt	4,313	8,081
Decrease (increase) in bank loan and short term notes	18,340	(6,449)
Decrease (increase) in working capital deficiency exclusive of changes in bank loan, short term notes and current portion of long term debt	(12,918)	1,743
	$131,054	$98,232

(Subject to year end adjustments and audit)